

ORDER NO. 2165

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman; and  
Robert G. Taub

Competitive Product Prices  
Global Plus 1C Contracts (MC2012-6)  
Negotiated Service Agreement

Docket No. CP2014-40

ORDER APPROVING MODIFICATION TO A GLOBAL PLUS 1C  
NEGOTIATED SERVICE AGREEMENT

(Issued August 21, 2014)

I. INTRODUCTION

The Postal Service seeks to modify a previously approved Global Plus 1C negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the agreement as modified.

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<sup>1</sup> Notice of the United States Postal Service of Filing Modification to Global Plus 1C Negotiated Service Agreement, August 8, 2014 (Notice).

In Order No. 2063, the Commission approved the inclusion of the agreement that is the subject of this docket within the Global Plus 1C product on the competitive product list.<sup>2</sup> On August 8, 2014, the Postal Service filed notice that it has agreed to a modification to the existing agreement. A copy of the modification (Modification) is included in the Postal Service's filing. The Postal Service asserts that the Modification will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment 2. On August 12, 2014, the Commission issued an order reopening this docket to consider the Modification, appointing a Public Representative and providing interested persons with an opportunity to comment.<sup>3</sup>

The Commission issued a Chairman's Information Request No. 2 on August 13, 2014, seeking explanations for two minor changes in the revised supporting financial documents included in the Postal Service's Notice.<sup>4</sup> CHIR No. 2 at 1. The Postal Service filed its response August 19, 2014, clarifying how the changes in the amendment workpapers do not harm the contract's ability to cover attributable costs.<sup>5</sup>

## II. COMMENTS

Comments were filed by the Public Representative.<sup>6</sup> No other person submitted comments. The Public Representative reviewed the Modification, the existing agreement, and the financial model filed under seal. *Id.* at 2. Based on that review, the Public Representative concludes that the existing agreement, as modified, should

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<sup>2</sup> Order No. 2063, Order Approving Additional Global Plus 1C Negotiated Service Agreement, April 23, 2014.

<sup>3</sup> Notice and Order Concerning Modification to a Global Plus 1C Negotiated Service Agreement, August 12, 2014 (Order No. 2150).

<sup>4</sup> Chairman's Information Request No. 2, August 13, 2014 (CHIR No. 2). An earlier information request (Chairman's Information Request No. 1) was made in connection with the Commission's original approval of the existing agreement.

<sup>5</sup> Response of the United States Postal Service to Chairman's Information Request No. 2, August 19, 2014.

<sup>6</sup> Public Representative Comments on Notice of the United States Postal Service of Filing Modification to Global Plus 1C Negotiated Service Agreement, August 14, 2014.

continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a).  
*Id.*

### III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, Postal Service's response to the CHIR No. 2, and comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification changes the wording of Article 7 paragraph 3(h) of the existing agreement, which lists acceptance locations for qualifying mailpieces, and revises the contract prices of Annex 1. All other terms and conditions of the agreement remain in force. See Notice, Attachment 1 and 2.

Based on a review of the record, the Commission finds that the existing agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Plus 1C product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates the existing

agreement, as modified, is consistent with section 3633(a). The Commission will review the cost coverage of the existing agreement, as modified, the cost coverage of the Global Plus 1C product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

*Other considerations.* The existing agreement, as modified, is set to expire on March 21, 2015. Order No. 2150 at 4. Upon termination of the agreement by either party, the Postal Service shall promptly inform the Commission of this development and the date of termination. Within 30 days of the termination of the existing agreement, as modified, the Postal Service shall file the annual (contract year) costs, volumes, and revenues associated with the Agreement, including any penalties paid, disaggregated by weight and country group associated with the modified agreement.

In conclusion, the Commission approves the existing agreement, as modified.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the existing Global Plus 1C negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the existing agreement, as modified, terminates prior to the scheduled expiration date.

3. Within 30 days after the existing agreement, as modified, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues associated with the Agreement, including any penalties paid, disaggregated by weight and country group associated with the contract.

By the Commission.

Shoshana M. Grove  
Secretary